

# Legislative Auditor's Report

June 23, 1998

## Responsive, Useful, Quality, and Timely Work

### *JLARC's work is used by the legislature.*

Policy and capital funding decisions based on JLARC's performance audit of the Juvenile Rehabilitation Administration have resulted in a one-time savings of \$7 million and recommendations for up to \$7 million more savings from capital investments.

Quantifiable biennial savings of \$21.8 million were identified in the recently completed performance audits of the Department of Transportation (DOT).

Aided by JLARC's school bus study, the legislature's decision to retain previously enacted changes in the state's funding and bidding policy has resulted in an estimated savings of \$8 million a biennium.

Legislation initiated as the result of JLARC's study of the Forest Board Trust Lands and the Jobs Opportunities and Basic Skills Training Program (JOBS) study was enacted. This strengthened state government accountability in contracting and in analyzing program outcomes.

The Board of Natural Resources reduced the Forest Board Transfer Lands management fee to 22 percent. This action will provide more revenue for the counties and is consistent with JLARC's recommendation.

JLARC's review of Child Protective Services resulted in a tool that can help the

program evaluate its performance and better allocate agency resources.

### *JLARC's work is timely.*

Despite tight and often unrealistic timelines, JLARC has made every effort to meet mandated deadlines while ensuring the work product continually meets audit and other quality standards.

### *JLARC's work is of high quality.*

The National Conference of State Legislatures presented to JLARC a 1997 Impact Award in recognition of the committee's 1992 performance audit of the State Investment Board (SIB). As a result of this audit, the state has reaped significant benefits, including a \$140 million settlement payment to the SIB by a real estate investment management firm.

In 1996, JLARC developed a "how to" guide for the legislature to use if it decided to pursue the privatization of state prisons. JLARC's work in this area has generated original research on the economics of prison privatization in other states. Numerous requests for copies of the study have been received, and it has

The Legislative Auditor's Report is published annually and contains JLARC's accomplishments per its Strategic Plan.



been referenced in reports by several states and the United States General Accounting Office.

At a recent Department of Justice conference on privatization in San Francisco, JLARC's study was cited as an objective evaluation of the issues surrounding privatization. Representatives from the JLARC team that conducted the study have also been invited to make presentations to the NCSL and the National Institute of Justice, and to publish an article in *New Directions in Evaluation*, a publication of the American Evaluation Association.

The Office of Financial Management (OFM) and state agencies are now using a JLARC-developed model as a basis for analyzing lease vs. ownership alternatives for facilities. This is part of the Governor's Capital Budget instructions.

JLARC's project management system is consistent with industry standards. In 1996 the project management system was enhanced to make it more user-friendly for staff and to ensure consistently high-quality studies are produced.

JLARC adheres to *Yellow Book* standards (e.g., Government Auditing Standards/General Accounting Office) when conducting performance audits and requires its contractors to do likewise. (We have an extensive quality control process to ensure contractors meet our high standards.)

JLARC developed a Project Post Evaluation form and process that is used for all major studies to help identify "lessons learned" which can be applied to future studies.

Both the past Legislative Auditor and the acting Legislative Auditor

were invited to make presentations on strategic planning and performance measurement at a national conference on performance measurement and accountability last month.

## Accountable to the legislature (and public)

### *JLARC follows up on implementation of recommendations.*

Recently JLARC developed, and incorporated into its Project Management System, a detailed project review component that includes a Project Post Review process. This process is designed to aide auditors in identifying: 1) whether follow-up investigation is needed; 2) whether recommendations have been implemented by the auditee, and if not, the causes why; 3) benefits achieved through the implementation of recommendations; and 4) any new issues for consideration. As a part of this review process, auditors are required to formally track and document the project review on a standardized Project Post Evaluation Form.

Here are a few examples that illustrate the value of study follow-up actions:

- Follow-up on JLARC's 1993 report of the Department of Corrections (DOC) Capacity Planning and Implementation reveal that DOC will generate over \$12 million in savings next biennium by implementing the JLARC recommendations and using the tools that were developed by the audit team.
- Follow-up on JLARC's 1997 performance audit of the Juvenile

Rehabilitation Administration's (JRA) Capacity Planning Process reveals a one-time cost savings of approximately \$7 million. This can be attributed directly or indirectly to the audit recommendations JRA has either implemented or is in the process of implementing. Additional biennial savings of \$7 million from capital investments are also possible if JLARC's recommendations are implemented.

To promote continued implementation of the committee's recommendations, the follow-up findings were transmitted to the chairs of the appropriate House and Senate standing committees.

- Based on recommendations contained in JLARC's Nursing Home Reimbursement System study report completed in 1994, the legislature reduced the budget for nursing home payments by \$39 million in the 1995 Session. It also repealed the existing reimbursement system effective July 1998. It further directed the state's Department of Social and Health Services to develop a new system, in consultation with JLARC. This new system was approved by the legislature during the 1998 Session. In the interim, the legislature took steps to control payment rate growth. Due to these measures, the growth in payment rates has slowed from 10 percent to less than 5 percent. Even attributing only 25 percent of the reduction in the rate of growth in payment rates to the findings of the JLARC report, the ongoing fiscal impact of the report is over \$50 million per year.
- The Department of Social and Health Services (DSHS) recently submitted a progress report to JLARC regarding the status of the

Children's Administration implementation of the recommendations contained in JLARC's Report 97-2, Child Protective Services. The report indicates that the Children's Administration is actively developing an internal process of determining the best ways to deliver services and the potential for replication around the state.

- Audit follow-up has confirmed implementation of the recommendations in the performance audit of the Office of the Superintendent of Public Instruction (OSPI). The superintendent has instituted a new organizational structure and additional internal controls on the authorization of staff travel. This furthers the goal of making the agency more efficient and effective.

### ***JLARC tracks study impacts.***

As part of its performance reporting, JLARC tracks measures such as direct and indirect quantifiable savings resulting from JLARC recommendations, number of recommendations to audited agencies and legislature adopted, and number of published follow-up reports/briefings. Also included as JLARC performance measures are frequency and types of legislative communications, participation in advisory groups/committee activities, and briefings and hearings on studies.

JLARC is the first legislative entity in Washington State to establish performance measures, which are reported in the state budget. A significant effort is now underway to develop a comprehensive tracking system to link our strategic objectives, performance budget measures, and project post reviews.

Newsletters to the legislature provide highlights of study impacts. We also report on our activities through annual impact reports. Last year JLARC's impacts were incorporated into a special edition of our

### ***JLARC's Mission***

***JLARC conducts objective performance audits, program evaluations, special studies, and sunset reviews on behalf of the legislature and the citizens of the state of Washington. The committee makes recommendations to the legislature and state agencies that should result in cost savings and/or improved performance in state government.***

newsletter. These reports and/or newsletters are sent to each member of the legislature and are posted on JLARC's Internet Homepage. Additionally, during each legislative session, JLARC Executive Committee members and the Legislative Auditor provide presentations to each of the four caucuses (House and Senate, Democratic and Republican) on JLARC's role in state government and the usefulness and impacts of its work.

### ***JLARC complies with legislative intent.***

This occurs both in terms of study mandates and performance audits and performance measurement requirements.

JLARC staff is facilitating review of performance measures at the front end of new and major programs, such as the state's new welfare program, WorkFirst, which JLARC is evaluating.

As part of its audits on the efficiency and effectiveness of programs, JLARC is reviewing agency performance measures. JLARC's review of the Department of Corrections' performance objectives and results is an example.

JLARC staff, in collaboration with staff of the Legislative Evaluation and Accountability Program (LEAP) and the Legislative Transportation Committee (LTC), developed and distributed the "Legislative Guide to the Bottom Line: Performance-Based Government." This is a resource designed to aid legislators in their review of agencies' strategic plans, performance measures, and budgets. The Guide has been posted on the Internet. We have also received numerous requests for hard copies of the guide.

JLARC's performance measures have been incorporated in the 1997-99 Biennial Budget and are also available on the Internet.

JLARC also continues to prepare for an industry peer review by ensuring effective use of its project management system and other internal policies and procedures.

## **Enhanced communications with the legislature**

***JLARC solicits legislative input on projects and encourages opportunities to share study results with members and staff.***

The 1997-99 Biennium Work Plan was developed by JLARC with input from legislative leadership, ranking minority members, and staff of



the House and Senate standing committees and caucuses.

Five project advisory groups involving legislators, legislative staff, other public officials, and stakeholders were established. These included advisory groups for the performance audits of transportation agencies, the Workers' Compensation System, and the Department of Corrections, as well as JLARC's evaluation of the WorkFirst Program. Most recently, a project advisory group was established for JLARC's mandated study of the state's Certificate of Need Program.

Two joint meetings with the Legislative Transportation Committee were held for the performance audits of transportation agencies.

Nearly every audit or study completed last year was presented to at least one legislative committee.

A total of eight presentations on JLARC's role in state government were made to party caucuses, member orientations, or for other legislative committees.

Seven JLARC newsletters have been published, distributed, and posted to JLARC's home page on the Internet.

Seven press releases on JLARC studies and/or accomplishments were issued.

### ***JLARC is proactive during session.***

Our staff continues to communicate audit work to members and other staff and provides technical assistance on potential study requests.

## ***Strategic Plan Objectives***

### ***Impacts and Standards***

Ensure the work of the JLARC is responsive and useful to the legislature's priorities (and the public's interest) by making timely and substantive recommendations based on independent research.

### ***Accountability***

Implement JLARC policies and protocols that allow for accountability of the JLARC to the legislature (and the public).

### ***Communications***

Increase participation of JLARC members and interest among legislators in JLARC work.



### **Joint Legislative Audit and Review Committee (JLARC)**

506 16th Avenue SE

Campus Mail: PO Box 40910

Olympia, Washington 98501-2323

(360) 786-5171

FAX 786-5180

TDD 1-800-635-9993

Home Page <http://jlarc.leg.wa.gov>

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### **Committee Members**

#### **Senators:**

Al Bauer, Vice Chair

Valoria Loveland

Bob Oke

Harriet Spanel

Val Stevens

Gary Strannigan

James West, Asst. Secretary

R. Lorraine Wojahn

#### **Representatives:**

Bill Backlund

Georgia Gardner

Tom Huff

Cathy McMorris, Chair

Val Ogden, Secretary

Debbie Regala

Helen Sommers

Mike Wensman

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### **Acting Legislative Auditor**

Ron Perry